

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS
OF SAN BERNARDINO COUNTY, CALIFORNIA
AND RECORD OF ACTION**

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MARCH 4, 2003

FROM: LEYDEN L. HAHN, Chief Information Officer
Information Services Department

SUBJECT: PROPOSED INTERNAL SERVICE FUND (ISF) RATE REDUCTIONS FOR FY2003-04

RECOMMENDATION:

1. Approve rate adjustment to reduce the Network Services ISF (IAM) Telephone rate from \$32.50 to \$27.00 per phone effective July 1, 2003.
2. Approve rate adjustment to reduce the Computer Operations ISF (IAJ) rate for the Central Mainframe Computer rate from \$274.00 to \$241.00 per cpu hour and reduce Infrastructure rate from \$56.00 to \$36.00 per email account effective July 1, 2003.

BACKGROUND INFORMATION: The Information Services Department (ISD) operates two internal service funds, Computer Operations (IAJ) and Network Services (IAM). Annually service rates are established to recover the associated operating cost of services provided by these ISFs.

RECOMMENDATION 1: NETWORK SERVICES RATE REDUCTION This fund is responsible for maintaining a telecommunications network that is part of a converged infrastructure that includes the public safety radio system, voice, data, paging and video over the wide area data network. Convergence of these systems has helped SD to provide telephone services that are well below industry provider costs. ISD began operation of the County's Telecommunication Network in 1985, which now consists of approximately 60 networked switches and 19,500 end user phones. These Switches are strategically located throughout the County to provide telephone switching and routing of telephone calls between various County offices and the non-county public telephone network. The County's telecommunication network is designed to provide a low cost solution for telephone services within the County of San Bernardino. Departments calling within the network do not pay separate toll or long distance charges and benefit from a highly redundant infrastructure supported 24 hours per day, 7 days per week by ISD. The County also benefits from negotiated discounts on all "off network" calls due to the long standing relationship ISD has maintained with the major service providers in the industry.

In the FY1999-00 budget approval process, the Board of Supervisors approved a telephone service rate increase to fund major upgrades for the County's aging telephone network switch infrastructure. The projections anticipated a five-year upgrade program at an annual cost of approximately \$1.3 million. New technologies and internal efficiencies enabled Information Services Department to complete the upgrade ahead of schedule. The hardware and software necessary to accomplish the upgrade has been purchased and installation is nearing completion. These changes have resulted in improved telephone services to departments. In addition, these changes have reduced operating costs for ISD, allowing the department to offset a potential rate increase from MOU and inflation during the past four years. Since these efforts are now complete, the funding needed for the upgrade can be removed from the Network Services rate calculations, resulting in a rate decrease from \$32.50 to \$27.00.

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RECOMMENDATION 2: COMPUTER OPERATIONS RATE REDUCTIONS: This fund is responsible for the day-to-day operation of the Central Mainframe Computer, Mainframe Printing, Data Storage, Data Entry, Server Management, Help Desk, LAN support, Imaging, Integrated Document Management and Wide Area Network. Services financed by this ISF are critical to departments' information processing requirements, which help them deliver quality public services. These services support the computing needs of approximately (241) applications including major departmental systems of Property Information System, Financial Accounting System, Prison Information Management System, EMACS, Tax Collection System, as well as the Criminal Name Index.

Through cost savings initiatives this fund has accumulated surpluses over time. As a result, ISD is proposing rate reductions for FY2003-04 in the Mainframe Computer and Infrastructure rates to return approximately \$2.7 million in accumulated surpluses or retained earnings to the users of this ISF. This item proposes decreasing the Central Mainframe rate from \$274 per cpu hour to \$241 per cpu hour and the Infrastructure rate from \$56.00 to \$36.00 per email account.

REVIEW BY OTHERS: This item has been reviewed by the County Administrative Office (Tracy Lindsay, Administrative Analyst) on February 12, 2003.

FINANCIAL IMPACT: Approval of this item will reduce departmental charges from ISD's Internal Services Network Services ISF by approximately \$1.3 million annually and Computer Operations ISF by \$2.7 million.

The Network Services rate reduction amount of \$1.3 million is split between general fund departments \$907,000 and \$380,000 to Non-general fund departments. The general fund portion results in a projected local cost savings of approximately \$392,000 annually.

The Computer Operations rate reduction amount of \$2.7 million is split between general fund departments \$1.5 million and \$1.2 million to Non-general fund departments. The general fund portion is projected to result in a local cost savings of approximately \$600,000 for FY2003-04. Services rates in subsequent years will require annual review to ensure the solvency of these ISFs are maintained for continuation of internal services financed by these funds.

COST REDUCTION REVIEW: The County Administrative Office has reviewed this agenda item and concurs with the department's proposal and recommends this action based on departments spend down and budget expense reduction objectives.

SUPERVISORIAL DISTRICT (S): All

PRESENTER: Leyden L. Hahn, Chief Information Officer, 388-5501

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